



# **Legislative Audit Division**

---

**State of Montana**

**Report to the Legislature**

---

**December 2005**

## **Limited Scope Performance Audit**

### **State Use of Cellular Devices**

**Various State Agencies  
Department of Administration**

**This report contains information and recommendations on the state's  
ability to use cellular devices efficiently and effectively.**

**Direct comments/inquiries to:  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705**

**05S-30**

**Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at  
1-800-222-4446 statewide or 444-4446 in Helena.**

## PERFORMANCE AUDITS

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. The audit work is conducted in accordance with audit standards set forth by the United States Government Accountability Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, mathematics, statistics, economics, political science, criminal justice, computer science, education, and biology.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

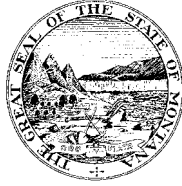
### MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Joe Balyeat, Vice Chair  
Senator John Brueggeman  
Senator Jim Elliott  
Senator Dan Harrington  
Senator Lynda Moss  
Senator Corey Stapleton

Representative Dee Brown  
Representative Hal Jacobson  
Representative Christine Kaufmann  
Representative Scott Mendenhall  
Representative John Musgrove, Chair  
Representative Janna Taylor

# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
Tori Hunthausen, IS Audit & Operations  
James Gillett, Financial-Compliance Audit

December 2005

The Legislative Audit Committee  
of the Montana State Legislature:

This is our performance audit of state use of cellular devices managed by the Department of Administration. This report provides the Legislature information about the number of state issued mobile cellular devices as well as how they are monitored. To improve the effectiveness and efficiency of use among state agencies, this report makes recommendations for implementing controls to govern the use of cellular devices. A written response from the department of Administration is included at the end of the report.

We wish to express our appreciation to the Information Technology Services Division staff of the Department of Administration and various other state agencies for their cooperation and assistance during the audit.

Respectfully submitted,

*/s/ Scott A. Seacat*

Scott A. Seacat  
Legislative Auditor

# **Legislative Audit Division**

---

## **Limited Scope Performance Audit**

### **State Use of Cellular Devices**

**Various State Agencies**

**Department of Administration**

The staff member involved in this audit was Bridget Butler.

## Table of Contents

---

List of Tables and Figures .....	ii
Appointed and Administrative Officials .....	iii
Report Summary .....	S-1
<b>Chapter I – Introduction and Background.....</b>	<b>1</b>
Introduction.....	1
Background Information.....	2
Cellular Plans.....	4
Audit Scope and Objectives .....	5
<b>Chapter II – State Could Be More Efficient And Effective In Cellular Device Use .....</b>	<b>7</b>
Current Policy .....	7
Agency Responsibility.....	8
Efficient Use of Cellular Devices .....	9
Pooling Minutes.....	10
Efficiency of Plan Choice.....	10
Devices Not Being Used.....	11
Blackberry Technology .....	12
Personal Use Not Excessive .....	13
Conclusion .....	14
Overages or Overcharged?.....	15
Federal Excise Tax .....	17
Conclusion .....	17
<b>Agency Response.....</b>	<b>A-1</b>

## List of Tables and Figures

---

### **Figures**

Figure 1	Average Number of Cell Phones in the Past Ten Years .....	1
Figure 2	State of Montana's Average Monthly Bill for Cellular Service .....	5
Figure 3	Proportionate Costs for Plan Amounts and Additional Charges and Fees.....	16

### **Tables**

Table 1	Number of Cellular Devices per State Agency/Program .....	3
Table 2	Major Components of Agency Policy for Cellular Devices .....	9

## **Appointed and Administrative Officials**

---

### **Department of Administration**

Janet Kelly, Director

### **Information Technology Services Division**

Jeff Brandt, Acting Chief Information Officer  
Jim White, Bureau Chief, Procurement Services  
Doug Bermingham, Procurement Services

---

### Introduction

Based on legislative interest and direction from the Legislative Auditor, a limited scope performance audit was initiated to examine the state's use of cellular communication devices. According to the Department of Administration, Montana began utilizing cell phone technology in 1991 with a total of six cell phones in state agencies. By 1995, the state was utilizing 335 cell phones. Today, ten years later, state agencies have almost 3,800 cell phones with an associated cost of approximately \$1.2 million a year.

---

### State Cellular Plans

DOA's Information Technology Services Division (ITSD), Procurement Bureau has established term contracts with two cellular service providers, Cellular One and Verizon Wireless. These contracts are non-exclusive, which means state agencies can choose to contract with a cellular provider other than Cellular One or Verizon Wireless. Audit work showed that 8 of 35 state agencies or programs we reviewed use a cellular provider besides or in addition to those in a term contract with the state. Both Verizon and Cellular One offer low, normal and high usage minute plans. Verizon offers a Blackberry plan as well.

---

### Current Policy

State statute charges the Department of Administration (DOA) with the development of information technology resources in a cost-effective manner so as to be accountable to the Legislature and citizens of Montana. Part of DOA's charge is to establish and enforce information technology policies. In an effort to carry out these responsibilities, DOA has established Administrative Rules. These rules state that DOA must approve the installation of all telecommunications systems and that the use of the state's telecommunications systems for essential personal business must be kept to a minimum. The personal use must not interfere with the conduct of state business. Essential personal long distance calls must be either collect, charged to a third party non-state number, or charged to a personal credit card.

This general telecommunication policy was established in 1987 as an effort to implement state law, which requires DOA to establish and enforce information technology policies. This policy was developed



## **Report Summary**

---

before the state began utilizing cellular devices of any type, therefore does not reflect relevant characteristics specific to cellular devices.

---

### **Agency Responsibility**

Administrative Rules also state that all state agencies are individually responsible for enforcing rules related to telecommunication systems. Audit work showed that 8 of the 35 state agencies and programs we reviewed have an agency policy, which addresses cellular device use. DOA does not require agencies to establish policy specific to cellular devices, but neither does it provide any guidance to agencies on the matter. DOA's policy leaves the definition of efficient cellular device use up to individual agency personnel, which in effect, produces an array of policies, procedures and practices.

---

### **Efficiency of Plan Choice**

There was a lack of criteria among agencies for selecting a monthly usage plan. Consequently, state cellular device users are not always on the most efficient plan available. Agencies do not select plans based on business needs. Most agencies stated they had either a written or unwritten procedure of managerial staff approving a cellular device and the associated plan.

---

### **Devices Not Being Used**

Non-use of cellular devices is inefficient use and generates unnecessary costs. We estimate a minimum of 5 percent of cellular devices are not used and agencies continue paying monthly plan fees. The state of Montana pays anywhere from \$4,708 to \$15,066 a year for unused cell phones. Agencies may actively choose to incur monthly expenses for an unused device so as to have it available in emergency situations. Other unused devices appear to be due to improper assignment.

---

### **Blackberry Technology**

A Blackberry is a mini computer and cell phone in one device, commonly referred to as a personal digital assistant (PDA). These plans range from \$49.24 to \$58.24 per month for low to normal usage.

A Blackberry user can use the device to make or receive a call as well as access the state network and e-mail resources. Because Blackberry users have access to state information technology

---

### Introduction

Based on legislative interest and direction from the Legislative Auditor, a limited scope performance audit was initiated to examine the state's use of cellular communication devices. According to the Department of Administration, Montana began utilizing cell phone technology in 1991 with a total of six cell phones in state agencies. By 1995, the state was utilizing 335 cell phones. Today, ten years later, state agencies have almost 3,800 cell phones with an associated cost of approximately \$1.2 million a year.

---

### State Cellular Plans

DOA's Information Technology Services Division (ITSD), Procurement Bureau has established term contracts with two cellular service providers, Cellular One and Verizon Wireless. These contracts are non-exclusive, which means state agencies can choose to contract with a cellular provider other than Cellular One or Verizon Wireless. Audit work showed that 8 of 35 state agencies or programs we reviewed use a cellular provider besides or in addition to those in a term contract with the state. Both Verizon and Cellular One offer low, normal and high usage minute plans. Verizon offers a Blackberry plan as well.

---

### Current Policy

State statute charges the Department of Administration (DOA) with the development of information technology resources in a cost-effective manner so as to be accountable to the Legislature and citizens of Montana. Part of DOA's charge is to establish and enforce information technology policies. In an effort to carry out these responsibilities, DOA has established Administrative Rules. These rules state that DOA must approve the installation of all telecommunications systems and that the use of the state's telecommunications systems for essential personal business must be kept to a minimum. The personal use must not interfere with the conduct of state business. Essential personal long distance calls must be either collect, charged to a third party non-state number, or charged to a personal credit card.

This general telecommunication policy was established in 1987 as an effort to implement state law, which requires DOA to establish and enforce information technology policies. This policy was developed

## **Report Summary**

---

before the state began utilizing cellular devices of any type, therefore does not reflect relevant characteristics specific to cellular devices.

---

### **Agency Responsibility**

Administrative Rules also state that all state agencies are individually responsible for enforcing rules related to telecommunication systems. Audit work showed that 8 of the 35 state agencies and programs we reviewed have an agency policy, which addresses cellular device use. DOA does not require agencies to establish policy specific to cellular devices, but neither does it provide any guidance to agencies on the matter. DOA's policy leaves the definition of efficient cellular device use up to individual agency personnel, which in effect, produces an array of policies, procedures and practices.

---

### **Efficiency of Plan Choice**

There was a lack of criteria among agencies for selecting a monthly usage plan. Consequently, state cellular device users are not always on the most efficient plan available. Agencies do not select plans based on business needs. Most agencies stated they had either a written or unwritten procedure of managerial staff approving a cellular device and the associated plan.

---

### **Devices Not Being Used**

Non-use of cellular devices is inefficient use and generates unnecessary costs. We estimate a minimum of 5 percent of cellular devices are not used and agencies continue paying monthly plan fees. The state of Montana pays anywhere from \$4,708 to \$15,066 a year for unused cell phones. Agencies may actively choose to incur monthly expenses for an unused device so as to have it available in emergency situations. Other unused devices appear to be due to improper assignment.

---

### **Blackberry Technology**

A Blackberry is a mini computer and cell phone in one device, commonly referred to as a personal digital assistant (PDA). These plans range from \$49.24 to \$58.24 per month for low to normal usage.

A Blackberry user can use the device to make or receive a call as well as access the state network and e-mail resources. Because Blackberry users have access to state information technology

resources just as they would with a state owned computer, Information Technology Services (ITSD) Division charges a \$60 fee for initial setup of a Blackberry and a monthly server maintenance fee of \$13.00. These fees help pay for and maintain the client access licenses and the state's Blackberry server. Unlike cell phones, Blackberries have to be purchased for the contract price of \$329.99, at which point they become state property. If damaged, the state takes a loss on the property.

In the last four months the number of Blackberries within agencies increased by 64 new devices. With the popularity of new technology comes the increased risk that devices will be purchased without consideration of whether the functionality is a necessary and justified expense.

---

### Overages or Overcharged?

The Montana Operations Manual speaks of internal controls with regard to fiduciary responsibilities. The manual states that the "approver of an invoice should ensure that services billed under the invoice were provided. As well, if a fraudulent or duplicate payment is found, every effort should be made to recover the funds and the breakdown in controls that allowed the improper payment to take place should be identified and eliminated." Information obtained during audit work shows most agencies do not review or check over monthly cellular or satellite statements. Some agency personnel authorized payment of the bill without question because it was not their position to question usage, while others did not have the time to review call details.

Agency personnel who approve and review statements said they did not review the call details of the bill on a regular basis, rather they looked for charges above the plan amount or anything that appeared to be abnormal. Interviews with agency personnel who did review statements thoroughly, expressed concerns over repeated billing errors from the providers.

General overages (minutes and roaming) comprised at least 30 percent of charges in our sample. Most often overages were due to roaming charges. Audit tests showed that both in-state and

resources just as they would with a state owned computer, Information Technology Services (ITSD) Division charges a \$60 fee for initial setup of a Blackberry and a monthly server maintenance fee of \$13.00. These fees help pay for and maintain the client access licenses and the state's Blackberry server. Unlike cell phones, Blackberries have to be purchased for the contract price of \$329.99, at which point they become state property. If damaged, the state takes a loss on the property.

In the last four months the number of Blackberries within agencies increased by 64 new devices. With the popularity of new technology comes the increased risk that devices will be purchased without consideration of whether the functionality is a necessary and justified expense.

---

### Overages or Overcharged?

The Montana Operations Manual speaks of internal controls with regard to fiduciary responsibilities. The manual states that the "approver of an invoice should ensure that services billed under the invoice were provided. As well, if a fraudulent or duplicate payment is found, every effort should be made to recover the funds and the breakdown in controls that allowed the improper payment to take place should be identified and eliminated." Information obtained during audit work shows most agencies do not review or check over monthly cellular or satellite statements. Some agency personnel authorized payment of the bill without question because it was not their position to question usage, while others did not have the time to review call details.

Agency personnel who approve and review statements said they did not review the call details of the bill on a regular basis, rather they looked for charges above the plan amount or anything that appeared to be abnormal. Interviews with agency personnel who did review statements thoroughly, expressed concerns over repeated billing errors from the providers.

General overages (minutes and roaming) comprised at least 30 percent of charges in our sample. Most often overages were due to roaming charges. Audit tests showed that both in-state and

## **Report Summary**

---

out-of-state roaming charges were incurred on monthly cellular statements. The state term contract exempts state agencies from being billed for in-state roaming charges. In-state roaming constituted 1 percent of total overages. Out-of-state roaming was far higher at 10 percent.

---

### **Federal Excise Tax**

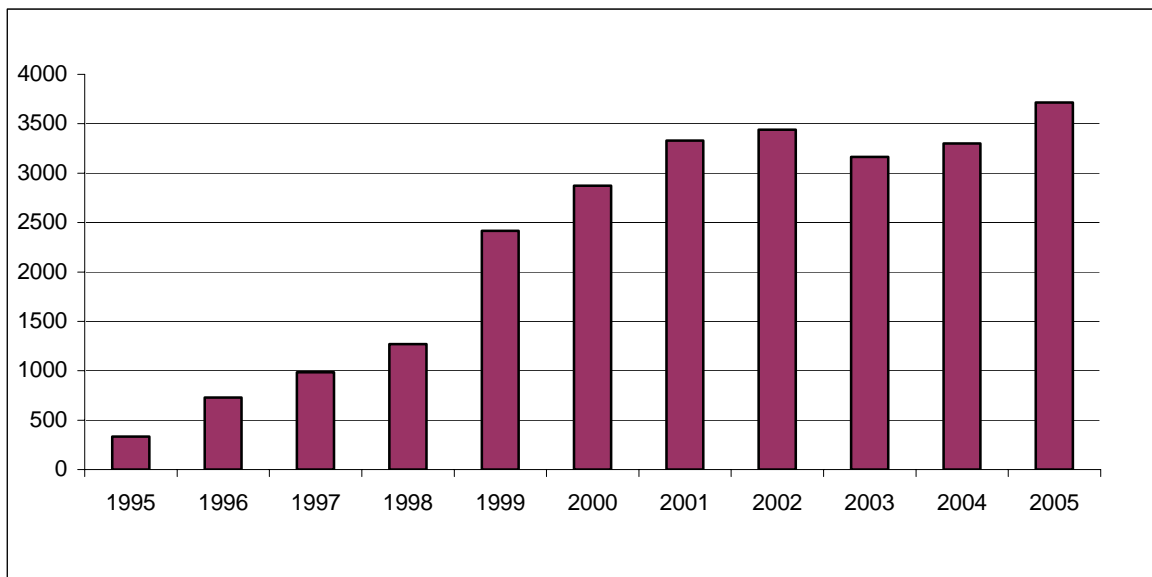
The federal Mobile Telecommunications Sourcing Act requires the telecommunications industry to charge a 3 percent federal excise tax on cellular devices. This same federal law also exempts states that file as a governmental entity from paying this tax. In 54 percent of our agency sample, we found that statements are being issued with a 3 percent federal excise tax, and agencies are paying the tax. Interviews with agency personnel revealed that a majority of agencies are not aware that the state of Montana is exempt from paying federal excise tax. ITSD posts both cellular and satellite contracts on their procurement web page, and under contract terms, the State of Montana is exempt from federal excise tax. However, posting and communicating are not synonymous, as a majority of agencies are unaware of the state's exemption of federal excise tax. In the past fiscal year the state has been overcharged approximately \$11,300 due to the misbilling of the federal excise tax.

# Chapter I - Introduction and Background

## Introduction

Based on legislative interest and direction from the Legislative Auditor, a limited scope performance audit was initiated to examine the state's use of cellular devices. According to the Department of Administration, Montana began utilizing cell phone technology in 1991 with a total of six cell phones in state agencies. By 1995, the state was utilizing 335 cell phones. Today, ten years later, state agencies have almost 3,800 cell phones with an associated cost of approximately \$1.2 million a year. The following figure illustrates this primarily upward usage trend.

**Figure 1**  
**Average Number of Cell Phones in the Past Ten Years**



**Source: Compiled by Legislative Audit Division from Department of Administration Records.**

The slight decrease illustrated during 2003-2004 is a result of a verbal request issued by the Governor asking agencies to reduce the number of cellular devices. For fiscal year 2005, the state of Montana had a monthly average of 3,871 cellular devices under contract. During the same period, the state employed

## Chapter I - Introduction and Background

---

14,281 employees, which provides one cell phone for every 3 to 4 state employees.

We will use the term “cellular device” to describe a number of mobile communication devices, including satellite phones, cell phones, air cards, and personal digital assistants that utilize cellular service. Satellite phones are mobile phones that are powered through satellite service. An air card is a thin card that is inserted into a computer to provide Internet access through cellular service. A personal digital assistant is a computer and phone in one device powered by cellular service, such as a Blackberry. Audit work looked at the state’s use of all these devices, not simply cell phones. However, currently, cell phones comprise a majority of the state’s cellular device use (96 percent).

---

### Background Information

The state does not have any laws that specifically address the use of cellular devices. However, law does charge the Department of Administration (DOA) with developing policies and cost-effective resources in information technology. The only state policy specific to cellular devices is Administrative Rule of Montana (ARM) 2.6.210, which strongly encourages state employees to not use a handheld electronic communications device while operating a state vehicle. Fish Wildlife and Parks (FWP) has taken this ARM a step further by developing agency policy that prohibits employees from making a FWP business related call on a cell phone while driving. The policy requires FWP employees to pull off the road and come to a complete stop before initiating a call.

Some agencies like FWP have a larger need for the use of cellular devices. We found the most frequent type of employees to have a cellular device were field personnel in such agencies as Fish Wildlife and Parks, Department of Environmental Quality, and the Department of Natural Resource and Conservation. Other common users of cellular devices were employees who were on call twenty-four hours a day such as caseworkers, probation officers, and information technology support staff. The following table illustrates



## Chapter I - Introduction and Background

the number of cellular devices per agency at the end of fiscal year 2005 and the average monthly cost per device.

**Table 1**  
**Number of Cellular Devices per State Agency/Program**

State Agency	Number of Devices	Average Monthly Amount per User
Montana State University	558*	\$ 43.28
Department of Public Health and Human Services	460	\$ 18.65
Fish Wildlife and Parks	439	\$ 22.11
University of Montana	377*	\$ 40.03
Department of Justice	318	\$ 24.99
Department of Transportation	293	\$ 20.46
Department of Corrections	212	\$ 18.32
Department of Natural Resource and Conservation	170	\$ 22.09
Department of Administration	150	\$ 27.28
Department of Military Affairs	138	\$ 47.34
Department of Labor and Industry	131	\$ 26.40
Department of Revenue	114	\$ 22.81
Department of Environmental Quality	94	\$ 23.98
Supreme Court	93	\$ 26.92
Office of Public Instruction	53	\$ 26.98
Department of Livestock	50	\$ 38.62
State Fund	42	\$ 37.80
Department of Commerce	40	\$ 23.35
Governor's Office	36	\$ 15.27
Department of Agriculture	36	\$ 21.00
Secretary of State	14	\$ 44.23
Lottery	13	\$ 25.27
Office of the Commissioner of Higher Education	11	\$ 46.22
Montana Guaranteed Student Loan Program	8	\$ 55.25
State Auditor's Office	5	\$ 48.36
Montana Historical Society	4	\$ 32.68
Public Service Commission	3	\$ 30.65
Board of Investments	3	\$ 30.00
Public Employees Retirement System	3	\$ 25.30
Arts Council	2	\$ 15.87
Board of Public Education	1	\$ 44.07
Teachers' Retirement System	0	\$ 0.00
Commissioner of Political Practices	0	\$ 0.00
Northwest Power Planning Council	0	\$ 0.00
<b>Total</b>	<b>3871</b>	<b>\$28.50</b>

\*DOA data, actual number from agency unknown

**Source: Compiled by the Legislative Audit Division from agency records.**

## Chapter I - Introduction and Background

---

### Cellular Plans

---

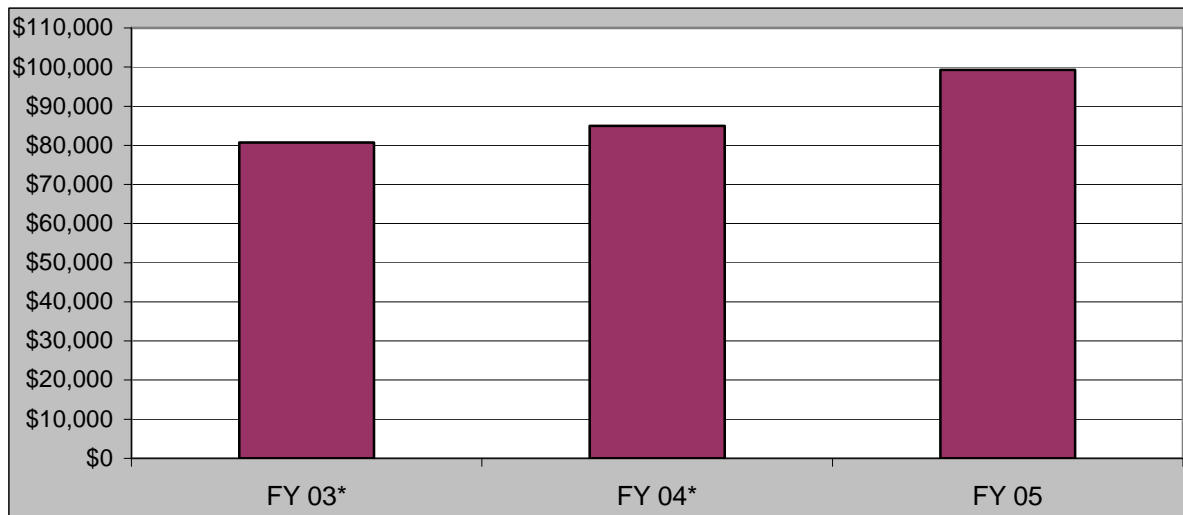
DOA's Information Technology Services Division (ITSD), Procurement Bureau has established term contracts with two cellular service providers, Cellular One and Verizon Wireless. These contracts are non-exclusive, which means state agencies can choose to contract with a cellular provider other than Cellular One or Verizon Wireless. The state had a term contract with Global Star for satellite service, but the contract was not renewed for fiscal year 2006 due to increased rates. Agencies can still utilize satellite phones, but not under a term contract with the state. Audit work showed that 8 of 35 state agencies or programs we reviewed use a cellular provider besides, or in addition to, those in a term contract with the state. Both Verizon and Cellular One offer low, normal and high usage minute plans. Verizon offers a Blackberry plan as well. The following amounts are monthly ranges of plans offered, depending on the service provider:

Low usage	\$10.99-\$13.99
Normal usage	\$19.99-\$24.99
High usage	\$45.00-\$49.99
Blackberry plan	\$49.24-\$58.24 (depending on low or normal voice plan)

The low and normal use plans have free in-state long distance. The high usage plan contains free nationwide long distance calling. The figure below represents a monthly average spent on cellular devices by the State of Montana for the past three years.

**Figure 2**

**State of Montana's Average Monthly Bill for Cellular Service**



\* Governor's statewide reduction in effect

Source: Compiled by Legislative Audit Division from ITSD records.

### **Audit Scope and Objectives**

The scope of this audit focused on the effectiveness of controls over the use of cellular devices. We had one main objective which was:

- ▶ To assess policies and procedures used by the Department of Administration and state agencies to control and manage the usage of cell phones, satellite phones and wireless personal digital assistants.

The scope of this audit did not include cost comparisons of cellular providers or the products offered under state term contracts. The audit objective was addressed through the following methodologies:

- ▶ Determining state law and policy related to the use of cellular devices.
- ▶ Determining the number of cellular devices used by the state and each agency.
- ▶ Reviewing 305 individual user billing statements for efficient and effective use.

## **Chapter I - Introduction and Background**

---

- ▶ Reviewing the Department of Administration's legal responsibility to manage and control the use of cellular devices.
- ▶ Reviewing comparative states' policies for managing cellular device use.
- ▶ Reviewing state term contracts for cellular and satellite service.
- ▶ Interviewing agency personnel.

The next chapter will discuss the current controls that exist for cellular device use and how the state can become more efficient and effective in using state resources, specifically cellular devices.

# Chapter II - State Could Be More Efficient And Effective In Cellular Device Use

---

---

## Current Policy

The state's current policy for cellular devices falls under the general legal definition of information technology and is further defined as part of the state telecommunication network. Administrative Rules of Montana (ARM) and Montana Code Annotated (MCA) define information technology and the state telecommunications network as hardware, software, and associated services used to transmit information including voice, video and electronic data.

State statute charges the Department of Administration (DOA) with the development of information technology resources in a cost-effective manner so as to be accountable to the Legislature and citizens of Montana. Part of DOA's charge is to establish and enforce information technology policies. In an effort to carry out these responsibilities, DOA has established Administrative Rules. These rules state that DOA must approve the installation of all telecommunications systems and that the use of the state's telecommunications systems for essential personal business must be kept to a minimum. Personal use must not interfere with the conduct of state business. Essential personal long distance calls must be either collect, charged to a third party non-state number, or charged to a personal credit card.

This general telecommunication policy was established in 1987 as an effort to implement state law, which requires DOA to establish and enforce information technology policies. This policy was developed before the state began utilizing cellular devices of any type, therefore does not reflect relevant characteristics specific to cellular devices such as:

- ▶ Portability
- ▶ Safety
- ▶ Issuance
- ▶ Statement Review
- ▶ Personal Use and Reimbursement

## **Chapter II - State Could Be More Efficient And Effective In Cellular Device Use**

---

---

### **Agency Responsibility**

Administrative Rules established by DOA also state that all state agencies are individually responsible for enforcing rules related to telecommunication systems. Audit work showed that 8 of the 35 state agencies and programs we reviewed have an agency policy, which addresses cellular device use. It is important to note that DOA does not require agencies to establish policy specific to cellular devices. But neither does it provide any guidance to agencies on the matter. DOA's policy leaves the definition of efficient cellular device use up to individual agency personnel, which in effect, produces an array of policies, procedures and practices. The following table illustrates the various components of the eight agency policies specific to cellular devices. The one component that a majority of these agencies include in their own policy statement is the general telecommunications rule stated previously.

## Chapter II - State Could Be More Efficient and Effective In Cellular Device Use

**Table 2**  
**Major Components of Agency Policy for Cellular Devices**

Agency	Issuing Criteria	State's General Telecommunications Policy	Specific Use Parameters	Reimbursement for Personal Calls	Driving and Use
Department of Corrections	X	X		X	
State Fund	X	X		X	
Department of Health and Human Services	X				
Northwest Power Council				X	
Office of Public Instruction		X			
Fish Wildlife and Parks		X			X
Department of Administration, Banking Division		X			
Department of Administration, Information Technology Services Division		X			

**Source: Compiled by the Legislative Audit Division from Agency Records.**

The remaining 27 agencies and/or programs reported either not having any specific policy on the use of cellular devices or used and referred to the state's general telecommunications policy. They provided no agency specific policies upon our inquiry.

### **Efficient Use of Cellular Devices**

Agencies have limited policy and controls to govern cellular device use. A majority of agencies do not review statements, track usage or issue cellular devices based on assignment criteria. Due to this lack of controls, we reviewed a random sample of cellular device statements from a statewide and agency specific sample of users. Our agency sample consisted of four agencies, two that had the

## Chapter II - State Could Be More Efficient And Effective In Cellular Device Use

---

highest monthly charges per device and two that had the lowest monthly charge per device. In our review, we looked at plan types, amounts, additional charges, and taxes. Our statewide sample was a random sample of statewide users. In this sample we tested numbers for personal use, looked at employee positions and work hours, and analyzed overage charges beyond the plan amount.

---

### Pooling Minutes

Most state users have a low to normal use in-state calling plan that utilizes the concept of “pooling” minutes. When an agency pools minutes it receives a total amount of minutes depending on the number of users (10 phones x 105 minutes each =1050 total peak minutes per month). In a given month, if the agency does not exceed its total pooled minutes, it is not charged for individuals exceeding monthly minutes. Overall, we found, state employees used an average of 226 minutes a month and stayed within their agency “pooled” minutes by 33 minutes. For example, in one department a user had 105 allowed minutes yet used 478, while another user’s plan allowed for 330 monthly minutes yet only used one minute. The department is not charged for overage minutes as the “pooling” concept balances out the usage of minutes. Although pooling is effective for the occasional monthly overages, it is not an efficient method to consistently track usage or utilize plans.

---

### Efficiency of Plan Choice

State cellular device users are not always on the most efficient plan available. Agencies do not select plans based on business needs. Most agencies stated they had either a written or unwritten procedure for managerial staff to approve a cellular device and the associated usage plan. Still, there was a lack of criteria used among agencies for selecting the monthly usage plan.

A limited number of agencies tracked employee usage or even checked to see if the monthly bill matched the original plan amount or contained overages. For example, a regional employee with FWP had a normal usage plan yet he traveled extensively to areas around the state during which he made frequent calls. A three-month average of his usage shows he uses an average of 752 minutes a



## **Chapter II - State Could Be More Efficient and Effective In Cellular Device Use**

---

month yet his cellular plan only allows 330 minutes a month. The state incurred additional charges for minutes outside the plan allotment. In fact, this user was charged an average of \$75.00 a month in additional charges; these charges are in addition to the monthly plan amount of \$19.99, for an average total of \$95.00 a month. Had this employee's usage and needs been tracked and assessed, he could have been put on a plan that allowed for more minutes. The high usage plan ranges from \$45.00 to \$49.99 and allows for up to 2000 minutes a month. This high usage plan would be a better choice for this particular cellular device user.

Another example of an inefficient plan type is an employee on a high usage-calling plan. This plan allows for 900 peak minutes a month as well as free out of state calling. In a three-month period this user used an average of 214 minutes a month and made a total of ten out of state long distance calls in a three-month period. The plan cost \$75.00 a month and, based on the user's needs in a three-month period, a normal use plan for \$19.99 a month would have been a more cost efficient choice.

Establishing policy on effective ways to choose and review cellular plans would help reduce this problem. We found the Department of Corrections and State Fund have done this. Both agencies have established controls and policy that specifically govern cellular device plans. Their policies address proper cell phone use, including reimbursement for personal minutes used and consequences for misuse. Their policies state one individual within the agency will provide authorization for issuance and track usage for the department.

---

### **Devices Not Being Used**

Nonuse of cellular devices, which are paid for monthly, is inefficient use as well, and generates unnecessary costs. From our sample, we estimate a minimum of five percent of cellular devices are not used and agencies continue paying monthly plan fees. Agencies may actively choose to incur monthly expenses for an unused device so as to have it available in emergency situations.

## **Chapter II - State Could Be More Efficient And Effective In Cellular Device Use**

---

The Public Health Emergency Preparedness Section of the Department of Public Health and Human Services has both cellular and satellite devices for this purpose. Other unused state devices appear to be due to improper assignment. Review of statements found that all unused devices could not be attributed to emergency services. Devices are being assigned to employees whose positions do not require the use of a cellular device, and/or the employee is simply not using the device. Policy needs to establish criteria for approving and assigning a cellular device. For example, the state of Kansas has developed a cell phone policy that outlines three main reasons a cell phone will be issued to an employee. They are:

- ▶ The employee conducts most of his/her work in the field where a landline is either inaccessible or inefficient.
- ▶ The employee's responsibilities require that he/she be immediately accessible in case of an emergency.
- ▶ The employee's responsibilities periodically require travel or emergency contact availability.

The state of Montana pays anywhere from \$4,708 to \$15,066 a year for unused cell phones. Assignment of devices is an important consideration that must weigh the cost of cellular devices against their benefits. We did not find state policy that requires agencies to justify cellular device assignments.

---

### **Blackberry Technology**

Verizon recently began offering a new Blackberry plan to the state of Montana. A Blackberry is a mini computer and cell phone in one device, commonly referred to as a personal digital assistant (PDA). In May 2005, the State of Montana and Verizon signed an amendment to the current contract, offering a Blackberry and the associated data and voice plans. These plans range from \$49.24 to \$58.24 for low to normal usage. The low and normal usage Blackberry plans mirror the voice minutes provided in the low (105 minutes) and normal (330 minutes) use plans for a cell phone. Data usage on the Blackberry is unlimited with all plans. A Blackberry user can use his device to make or receive a call as well as access the state network and e-mail resources. Because

## **Chapter II - State Could Be More Efficient and Effective In Cellular Device Use**

---

Blackberry users have access to state information technology resources just as they would with a state owned computer, Information Technology Services (ITSD) Division charges a \$60 fee for initial setup of a Blackberry and a monthly server maintenance fee of \$13.00. These fees help pay for and maintain the client access licenses and the state's Blackberry server. Unlike cell phones utilized by the state, which are leased with the plan, Blackberries have to be purchased from Verizon, for the contract price of \$329.99, at which point they become state property. If damaged, the state takes a loss on the property. Consideration must be given to assigning Blackberries. In the last four months the number of Blackberries within agencies increased by 64 new devices. With the popularity of new technology comes the increased risk that devices will be purchased without consideration of whether the functionality is a necessary and justified expense.

---

### **Personal Use Not Excessive**

Due to a lack of cellular device policy and statement review procedures, we took a random sample of statewide cellular device users and tested numbers called for personal use. For each user, we looked at statements over a three-month period. From a sample of 218 statements, we tested called numbers that were out-of-state long distance, longer than ten minutes in length, and outside of the employee's work hours. We found cellular devices were used occasionally for personal use. Both in state and out-of state long distance calls of a personal nature were identified. These calls did not amount to any additional charges, nor were they extreme in length. It is important to note testing was limited due to the lack of call information for incoming calls and non-listed numbers (including cell numbers). Although on average, there was little or no general misuse found during audit work, there were atypical examples that demonstrated misuse.

One such example is an employee who had 746 overage minutes and of the total minutes used, 62 percent were to family members out of state. Due to "pooling" no overage charges were incurred for this personal use. Another example is an employee who had

## Chapter II - State Could Be More Efficient And Effective In Cellular Device Use

---

automatic downloads each month to his cellular device. These downloads were video games. The additional monthly charge for the video game downloads was paid for by the agency. Sending pictures with a camera phone can be beneficial for some employees in their regular duties, but it also provides for potential misuse. In our sample we found devices that had a \$4.99 monthly fee on the plan for sending/receiving pictures. Some cellular devices have the capability of taking a picture and then the user can send it via the Internet to another person. For the monthly fee, the user can send/receive up to 40 pictures a month. Audit work found that some users were being charged an additional \$.25 per picture because they had used up the allotment of 40 pictures of month.

---

### Conclusion

Although Montana law charges the Department of Administration (DOA) with establishing policy to govern the state's use of telecommunications, including cellular devices, it has not created policy specific to cellular devices. DOA's telecommunications rule outlines proper use for telephones and gives each agency authority to implement agency specific policy. Because agencies have not established policy and the language of the existing telecommunication's policy lacks specificity, there exists a lack of controls to enforce rules of usage for cellular device users.

Upon reviewing other states' policies regarding cellular devices, we found Kansas, Wisconsin, and Pennsylvania have policies that both establish and enforce rules of usage. Although overall, the state lacks controls for cellular device use, the Department of Corrections and State Fund have established policies that speak to proper cell phone use, including reimbursement for personal minutes used and consequences for misuse. These agency policies could be used as a framework for DOA and other state departments.

The current telecommunications policy was created for a telephone that sits on a desk, not a mobile device that can be taken home, or elsewhere. Current policy not consider plan minutes, charges for incoming calls, bundled minutes, or the use of the device outside of

## Chapter II - State Could Be More Efficient and Effective In Cellular Device Use

---

work hours. Additional facets need to be present in the telecommunications policy so that it is responsive to new technological advancements as they are utilized by the state. Such additions may include review of statements, criteria for assigning devices, the assessment of security issues due to the portability of devices, and consequences for noncompliance. The current lack of policy has contributed to inefficient plan choice, personal long distance calls, unused paid monthly plans, and additional charges (games, pictures) not necessarily essential to accomplishing state business.

### **Recommendation #1**

**We recommend the Department of Administration establish a comprehensive cellular device policy that includes:**

- A. Assignment criteria and justification**
- B. Statement review**
- C. Security**
- D. Reimbursement for personal use**

---

### **Overages or Overcharged?**

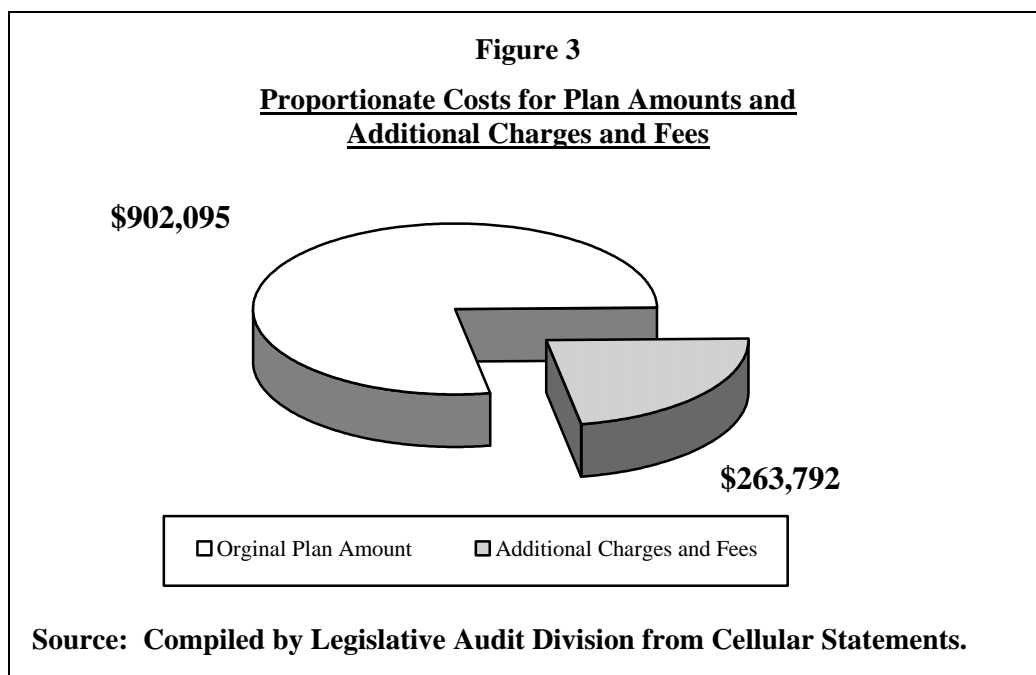
The Montana Operations Manual speaks of internal controls with regard to fiduciary responsibilities. The manual states that the “approver of an invoice should ensure that services billed under the invoice were provided. As well, if a fraudulent or duplicate payment is found, every effort should be made to recover the funds and the breakdown in controls that allowed the improper payment to take place should be identified and eliminated.” Information obtained during audit work shows most agencies do not review or check over monthly cellular or satellite statements. Some agency personnel authorized payment of the bill without question because it was not their position to question usage, while others did not have the time to review call details. Within most state agencies, department accounting staff pay cellular and satellite statements, only after someone in a managerial position approves it. Agency personnel who approve and review statements said they did not review the call details of the bill on a regular basis, rather they

## Chapter II - State Could Be More Efficient And Effective In Cellular Device Use

---

looked for charges above the plan amount or anything that appeared to be abnormal. Interviews with agency personnel who did review statements thoroughly, expressed concerns over repeated billing errors from the providers. The state of Wisconsin has implemented cellular policy that requires a review of monthly statements involving the user checking the statement for accuracy of calls, highlighting any calls of a personal nature, and a supervisor then reviewing the statement for overage minutes and any associated charges.

In fiscal year 2005 Montana paid approximately \$1.2 million for cellular device use, 23 percent of this amount can be attributed to overage charges and fees. The figure below illustrates the proportion of overages and fees to the original monthly plan amounts.



General overages (minutes and roaming) comprised at least 30 percent of charges in one sample. Most often overages were due to roaming charges. Roaming charges can be incurred for in-state and out-of-state long distance calls. Audit tests showed that both in-

## Chapter II - State Could Be More Efficient and Effective In Cellular Device Use

---

state and out-of-state roaming charges were incurred on monthly cellular statements. The state term contract exempts state agencies from being billed for in-state roaming charges. In-state roaming only constituted one percent of total overages, as out-of-state roaming was far higher at ten percent. But the one percent that was billed is still prohibited under contract terms.

---

### Federal Excise Tax

The Mobile Telecommunications Sourcing Act requires the telecommunications industry to charge a three percent federal excise tax on cellular devices. This same federal law also exempts states that file as a governmental entity from paying this tax. In 54 percent of our agency sample we found that statements are being issued with the federal excise tax, and agencies are paying the tax. Interviews with agency personnel revealed that a majority of agencies are not aware that the State of Montana is exempt from paying federal excise tax. ITSD posts both cellular and satellite contracts on their procurement web page, and under contract terms, the State of Montana is exempt from federal excise tax. However, posting and communicating are not synonymous, as a majority of agencies are unaware of the state's exemption of federal excise tax. In the past fiscal year the state has been overcharged approximately \$11,300 due to the misbilling of the federal excise tax.

---

### Conclusion

Review procedures for cellular device statements need to be established to assess additional charges as usage overages or billing errors. These types of procedures would assure state dollars are being used efficiently. The state could realize monetary savings on cellular device use by reviewing statements for roaming charges as well as taxes and fees in which the state is exempt from paying under contract. Agency awareness of contract terms as well as the most common billing errors could help combat overcharged statements.

#### **Recommendation #2**

**We recommend the Department of Administration work with state agency personnel to recover monetary losses for amounts overcharged due to misbilling of federal excise tax and in-state roaming.**

## **Agency Response**

---





DEPARTMENT OF ADMINISTRATION  
DIRECTOR'S OFFICE



BRIAN SCHWEITZER, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2032  
FAX 444-2812

PO BOX 200101  
HELENA, MONTANA 59620-0101

December 2, 2005

Jim Pellegrini  
Deputy Legislative Auditor  
Legislative Audit Division  
PO Box 201705  
Helena, MT 59620-1705

RECEIVED  
DEC 02 2005  
LEGISLATIVE AUDIT DIV.

Dear Mr. Pellegrini:

We have reviewed the December 2005 *State Use of Cellular Devices* Audit Report and the recommendations contained therein. Our use of the term "cellular device" includes satellite phones, cell phones, air cards and personal digital assistants that use cellular service.

Our response to the recommendations appears below:

Recommendation #1

We recommend the Department of Administration establish a comprehensive cellular device policy that includes:

- A. Assignment criteria and justification
- B. Statement Review
- C. Security
- D. Reimbursement for personal use

Response:

We concur. The department will establish a comprehensive cellular device policy that will set the minimum standards and provide guidelines for all recommended subject areas for the deployment and acceptable use of cellular devices within State government. An initial draft of the policy has been completed. Agencies who desire more restrictive standards can adopt a supplemental department-specific policy.

Recommendation #2

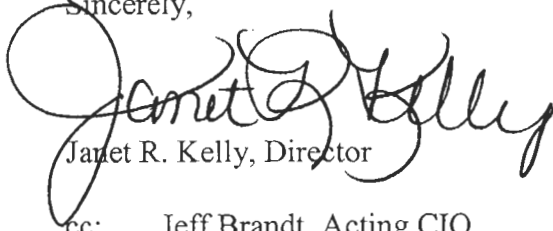
We recommend the Department of Administration work with State agency personnel to recover monetary losses for the amounts overcharged due to misbilling of federal excise tax and in-state roaming.

Response:

We concur. The department will work with the State agencies involved and the cell phone companies to insure that appropriate credits are made to the accounts that were overcharged due to the misbilling of federal excise tax and in-state roaming charges.

Thank you and your staff for conducting the audit in a professional manner.

Sincerely,

A handwritten signature in black ink, appearing to read "Janet R. Kelly". The signature is fluid and cursive, with the first name "Janet" being more prominent and the last name "Kelly" following in a similar style. The signature is written over the printed name "Janet R. Kelly, Director".

Janet R. Kelly, Director

cc: Jeff Brandt, Acting CIO  
Bridget Butler, LAD